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TO RUEHC/SECSTATE WASHDC 5311
INFO RUEHAC/AMEMBASSY ASUNCION 4104
RUEHBO/AMEMBASSY BOGOTA 2512
RUEHBU/AMEMBASSY BUENOS AIRES 1614
RUEHBR/AMEMBASSY BRASILIA 1034
RUEHCV/AMEMBASSY CARACAS 2197
RUEHPE/AMEMBASSY LIMA 6318
RUEHMN/AMEMBASSY MONTEVIDEO 4512
RUEHQT/AMEMBASSY QUITO 2531
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
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SIPDIS

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SUBJECT: CHILE MEDIA REPORT - AUGUST 4

Lead Story

1. Two high-ranking army officers were indicted for receiving half a million dollars in bribes for Chile's acquisition of Leopard tanks from Holland in 1998. They were charged for illegal use of state funds in an investigation that began in 2005, related to finding the origin of General Pinochet's fortune. The State Defense Council contends that Pinochet made his fortune from the payment of commissions from arms deals (La Tercera, conservative, independent, 8/4).

U.S. military presence in Colombia

2. Colombian President Alvaro Uribe phoned Bachelet over the weekend to explain the agreement that his country is negotiating with Washington to allow U.S. military presence in Colombian military facilities. Diplomatic sources said that there had been "concern" in the tone of this conversation. Uribe defended the presence of American soldiers in his country explaining that they would "occupy bases that were under local control to fight the FARC and narcotics trafficking." In this context, Alvaro Uribe announced yesterday that he would travel to the region to talk about "terrorism in Colombia, its threats, and matters related to UNASUR" (El Mercurio, conservative, influential newspaper-of-record, 8/4).

3. Bachelet and Lula's remarks in Brazil last Thursday hat Colombia's decision to allow U.S. military presence should be discussed at the UNASUR meeting in Quito on August 10 surprised Colombia, because they showed alignment with Hugo Chavez. The Chilean Foreign Ministry admits that this is a complex situation, because appearing to be aligned with Chavez would not only be seen as a sign that Chile is moving away from Obama; It would also contribute to isolating Uribe, who is considered an ally in countering Chavez' influence. Colombia is also member of the South Pacific System, which has defined maritime borders in terms that favor Chile's position with regard to a maritime complaint on these borders filed by Peru with the International Court of The Hague (El Mercurio, 8/4).

4. President Uribe will start his tour to the region today to explain the military agreement his country is negotiating with the United States. Uribe is due to arrive to Chile tomorrow (Government-owned La Nacion, 8/4).

5. The honeymoon between Presidents Obama and his Brazilian counterpart Lula da Silva is having problems for the first time since the U.S. President took Office. The reason is the imminent

agreement between Colombia and the United States to increase U.S. presence in three military bases in Colombia. Venezuelan President Hugo Chavez criticized Colombia's decision and was endorsed by Brazilian Foreign Minister Celso Amorim, who said that strong U.S. military presence in Colombia "seems to have a goal that goes beyond Colombia's domestic needs." Amorim also criticizes the Obama administration for failing to change its position with regard to the Doha Round, therefore undermining the possibility of liberalizing global trade, and for not lowering the price of ethanol (La Tercera, conservative, independent, 8/4).

¶6. Brazilian analyst Gaudencio Torquato comments on U.S.-Brazil relations: "The honeymoon (between Obama and Lula da Silva) is not over, because Lula needs to maintain his friendship with Obama.... Lula will be able to say that Brazil will act to avoid friction between the United States and Venezuela. U.S. expansion means greater control of narcotics trafficking. This presence creates discomfort and could deteriorate relations with Venezuela as part of Chavez' marketing game." Asked how the agreement could affect the region, Torquato said, "In the beginning the criticism will be strong, but with time the accusations will become trivial" (La Tercera, 8/4).

Economy

¶7. Chile's investment abroad was US\$ 835 million for the first half of 2009. This is 55 percent less compared to the same period last year. Colombia was the largest recipient of Chilean investment. The United States received 5 percent (Estrategia, business and financial, 8/4).

SIMONS